

Message Text

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ACTION STR-04

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 OPIC-03

XMB-02 OIC-02 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /129 W

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R 251155Z OCT 75

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 0000X

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

USMISSION OECD PARIS

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

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PASS STR, AGRICULTURE; H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, GATT

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SUBJECT: MTN GRAINS SUBGROUP MEETING, OCTOBER 20-23, 1975

REF: A. STATE 245988; B. STATE 243029

1. SUMMARY. THE SUBGROUP GRAINS MET OCTOBER 20-23. THE GROUP DEVOTED ITS WORK PRIMARILY TO A FURTHER EXAMINATION OF THE EC PROPOSAL FOR A COMMODITY AGREEMENT, THE PAPERS SUBMITTED IN JUNE BY CANADA, AUSTRALIA, ARGENTINA AND JAPAN, AND TO AN EXAMINATION OF THE NEW U.S. PROPOSAL. U.S. PROPOSAL WAS REJECTED OUTRIGHT BY THE EC AND ARGENTINA WHILE OTHER DELEGATIONS REQUESTED MORE TIME FOR STUDYING IT. THE EC REPEATEDLY ATTEMPTED TO DRAW U.S. LONDON PROPOSAL FOR GRAIN RESERVES INTO THE DEBATE OF THE SUBGROUP. HOWEVER, EC DID NOT SUCCEED IN THIS ATTEMPT, SINCE U.S. MADE CLEAR THAT THIS PROPOSAL WAS SUBMITTED FOR INFORMATION AND NOT FOR DISCUSSION. CANADA AND AUSTRALIA SUPPORTED U.S. THE GROUP AGREED (WITH U.S. RESERVATION) TO CONTINUE ITS WORK NEXT JANUARY WITH A COUNTRY-BY-COUNTRY EXAMINATION OF A SECRETARIAT DOCUMENT WHICH LISTS IMPORT, EXPORT AND DOMESTIC POLICY MEASURES IN THE GRAINS SECTOR. IT WILL ALSO CARRY OVER ITS DISCUSSION OF PROPOSALS RELATING TO THE THREE INTER-RELATED CATEGORIES CONTAINED IN PARA 5 OF MTN/GR/1. END SUMMARY.

2. THE SUBGROUP GRAINS HELD ITS THIRD SESSION OCTOBER 20-23. IT ELECTED PATTERSON (GATT SECRETARIAT) AS CHAIRMAN. THE GROUP CONTINUED ITS DISCUSSION OF THE ELEMENTS CONTAINED IN THE THREE INTER-RELATED CATEGORIES OF STABILIZATION, LIBERALIZATION, AND TREATMENT OF LDC'S LISTED IN PARA 5 OF MTN/GR/1. THE SUBGROUP EXAMINED THE STATEMENTS AND PROPOSALS MADE IN THE PREVIOUS TWO MEETINGS BY THE U.S., EC, ARGENTINA, JAPAN, CANADA AND AUSTRALIA (MTN/GR/W/1-7) AS WELL AS THE NEW U.S. PROPOSAL (REF A) WHICH HAS BEEN CIRCULATED AS GATT DOCUMENT (MTN/GR/W/4. ADD. 1).

3. SINCE EC COMPLAINED AFTER JUNE MEETING OF SUBGROUP ABOUT ALLEGED U.S. DISINTEREST IN THEIR PROPOSAL FOR GRAINS COMMODITY ARRANGEMENTS, U.S. DEL (KOENIG) ADDRESSED A NUMBER OF SPECIFIC QUESTIONS TO EC IN ORDER TO LIMITED OFFICIAL USE

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ELUCIDATE THE SPECIFIC ELEMENTS OF THIS PROPOSAL. U.S. ASKED IN PARTICULAR ABOUT THE LEVEL OF THE MAXIMUM AND MINIMUM PRICES AND THE QUOTE INNER UNQUOTE PRICE RANGE ENVISAGED BY EC. U.S. ALSO ASKED ABOUT THE SIZE OF STOCKS WHICH IN EC VIEW WOULD BE NECESSARY TO STABILIZE WORLD MARKET PRICES. U.S. FURTHER INQUIRED WHETHER EC PROPOSAL COULD INDEED ACHIEVE PRICE STABILITY IN VIEW OF THE FACT THAT ONE OR SEVERAL MAJOR IMPORTERS MIGHT

NOT PARTICIPATE IN THE PROPOSED AGREEMENT. THUS SIDE BY SIDE WITH THE REGULATED MARKET ENVISAGED BY EC, THERE WOULD BE A NARROWER MARKET WITH CONSIDERABLE PRICE FLUCTUATIONS. U.S. ASKED WHETHER THE CO-EXISTENCE OF THESE TWO MARKETS WOULD NOT ENHANCE RATHER THAN WEAKEN PRICE INSTABILITY IN THE GRAINS SECTOR. U.S. ALSO ASKED ABOUT THE MECHANISMS EC ENVISAGES TO COPE WITH FLOATING CURRENCIES IF FIXED MAXIMUM AND MINIMUM PRICES ARE ESTABLISHED. EC DEL (JACQUOT) IN THE COURSE OF LENGTHY BUT COMPLETELY EVASIVE REPLY ANSWERED NONE OF THE SPECIFIC QUESTIONS POSED BY THE U.S. EC STATED THAT IT COULD NOT GIVE FIGURES FOR MINIMUM AND MAXIMUM PRICES NOT INDICATE THE PRICE RANGE OR EXPLAIN WHAT THE DESIRABLE SIZE OF STOCKS NECESSARY FOR PRICE STABILIZATION WOULD BE. EC'S GENERAL POSTURE WITH RESPECT TO U.S. QUESTIONS WAS THAT ALL THESE ELEMENTS HAVE TO BE DETERMINED THROUGH NEGOTIATIONS. HOWEVER, EC STATED THAT PRICE TRIGGERS WOULD ONLY INITIATE CONSULTATIONS FOR, AND NOT AUTOMATICALLY DETERMINE, STOCKING AND DESTOCKING OPERATIONS. EC CONCEDED THAT THE POSSIBLE NON-PARTICIPATION OF MAJOR COUNTRIES IN PROPOSED AGREEMENT (E.G. USSR AND CHINA) WOULD CREATE A FREE MARKET WHICH COULD HAVE A SIGNIFICANT IMPACT ON THE REGULATED MARKET.

4. U.S. DEL CONCLUDED FROM EC REPLIES THAT EC PROPOSAL IS QUOTE FULL OF EMPTY BOXES UNQUOTE LACKING CONCRETE CONTENT. U.S. INVITED EC TO SUBMIT THE SPECIFIC DETAILS OF THEIR PROPOSAL IN WRITING. U.S. STATED THAT IT CONSIDERED EC PROPOSAL TO BE ONLY A NEGOTIATING HYPOTHESIS, AND NOT THE PREMISE ON WHICH WE INTEND TO PROCEED IN THE NEGOTIATIONS.

5. ARGENTINA, CANADA, AUSTRALIA, JAPAN, SOUTH AFRICA
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AND ISRAEL ALSO ASKED FOR CLARIFICATION OF EC PROPOSAL. THE EC'S ANSWERS WERE GENERAL AND ELUSIVE THOUGH LENGTHY, CONFIRMING IMPRESSION THAT EC PROPOSAL WAS NOT WELL THOUGHT OUT. HOWEVER, THE DISCUSSION INDICATED THAT MANY COUNTRIES MIGHT BE WILLING TO ACCEPT EC PROPOSAL AS BASIS FOR NEGOTIATIONS. AUSTRALIA (WARWICK-SMITH) AND CANADA (MINER) ALSO THOUGHT THAT EC PROPOSAL COULD BE A BASIS FOR NEGOTIATIONS BUT ONLY IF IT INCLUDED ELEMENTS FOR BETTER ACCESS TO EC MARKET. HOWEVER, EC MADE IT CLEAR THAT VARIABLE LEVIES WOULD NOT BE NEGOTIABLE WITHIN FRAMEWORK OF PROPOSAL.

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ACTION STR-04

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 ISO-00 XMB-02

OPIC-03 OIC-02 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00

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R 251155Z OCT 75

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TO SECSTATE WASHDC 677

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PASS STR, AGRICULTURE; H PASS CODEL

6. WHEN U.S. INTRODUCED ITS PROPOSAL AS PER REF
A, IT MADE CLEAR THAT QUOTE SINCE PROCEDURES ARE
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STILL BEING WORKED OUT TO IMPLEMENT PARAGRAPH 2 OF THE MAY 8 AGREEMENT, ONE OF THE ASSUMPTIONS ON WHICH OUR APPROACH IS BASED IS NOT YET RELAIIZED UNQUOTE (SEE SEPTTEL FOR TEXT OF U.S. PROPOSAL).

EC OPENED DISCUSSION OF U.S. PROPOSAL BY STATING THAT IT IS UNABLE TO ACCEPT IT BUT WOULD NOT BLOCK CONSIDERATION BY OTHERS. EC SEEMED PARTICULARLY DISMAYED ABOUT TWO ASPECTS OF U.S. PROPOSAL: ON THE ONE HAND, THE PROVISION FOR BILATERAL DISCUSSIONS; ON THE OTHER HAND, THE POSSIBILITY FOR THE SUBGROUP TO CONSIDER MULTILATERAL SOLUTIONS BEING WORKED OUT IN OTHER MTN GROUPS. AFTER QUESTIONING BY OTHER DELEGATIONS, SEVERAL (CANADA, AUSTRALIA, JAPAN, ISRAEL AND SOUTH AFRICA) STATED UNENTHUSIASTICALLY THAT U.S. PROPOSAL SHOULD BE GIVEN FURTHER CONSIDERATION ALONG WITH OTHER PROPOSALS.

8. WHEN EXAMINING U.S. PROPOSAL, SOUTH AFRICA (STEYNBERG) ASKED WHETHER U.S. WOULD RULE OUT ANY MECHANISM INCLUDING FIXED MAXIMUM OR MINIMUM PRICES BETWEEN WHICH MARKET FORCES WOULD OPERATE. U.S. REPLIED THAT WE CANNOT AGREE TO ANY NEGOTIATED PRICE MECHANISM AND HENCE NOT TO FIXED MAXIMUM AND MINIMUM PRICES.

9. RATHER COOL RECEPTION WHICH U.S. PROPOSAL RECEIVED WAS APPARENTLY DUE TO GENERAL UNWILLINGNESS TO ENTER INTO CONCRETE AND SPECIFIC PROPOSALS, AS ENVISAGED UNDER SUGGESTED U.S. PROCEDURE, AND TO APPARENT FEELING THAT U.S. PROPOSAL TOOK SUBGROUP A STEP BACKWARD IN ITS WORK. U.S. EXPLAINED THAT PROCEDURE OUTLINED IN U.S. PROPOSAL COULD BE USED NOT ONLY FOR SOLVING PROBLEMS OF LIBERALIZATION, BUT ALSO FOR SOLVING PROBLEMS OF STABILIZATION AND LDC PROBLEMS. U.S. STRESSED THAT ITS PROPOSAL WOULD ENABLE GROUP TO MOVE AWAY FROM REHTORIC AND TO APPROACH CONCRETE PROBLEMS AND SPECIFIC SOLUTIONS.

10. THROUGHOUT SESSION, EC TRIED UNSUCCESSFULLY TO DRAW U.S. INTO DISCUSSION OF TEXT OF U.S. GRAIN LIMITED OFFICIAL USE

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RESERVES PROPOSAL TRANSMITTED TO GROUP PER INSTRUCTIONS (REFTEL B) AND CIRCULATED AS MTN/GR/INF/3. AT ONE POINT, EC CRITICIZED U.S. FOR SEPARATING NEGOTIATIONS BETWEEN LONDON AND GENEVA, REITERATING

THE COMPETENCE OF THE SUBGROUP TO NEGOTIATE ON ALL ELEMENTS. U.S. REPLIED THAT QUOTE WE HAVE AGREED TO SUBMIT THE PROPOSAL MADE BY THE UNITED STATES IN LONDON WHICH IS CONTAINED IN INF/3. WE HAVE AGREED TO THIS AT THE REQUEST OF THE COMMUNITY, BUT WE HAVE MADE IT VERY CLEAR...THAT THIS PAPER IS SUBMITTED FOR INFORMATION PRUPOSES ONLY AND NOT FOR DISCUSSION. WE HAVE AGREED IN MAY THAT THE WORK IN LONDON WOULD BE INTEGRATED INTO THE SUBGROUP'S ACTIVITIES WHEN WORK IN THE IWC HAS PROCEEDED FAR ENOUGH. WE ARE THEREFORE AT THIS STAGE NOT PREPARED TO ENTER HERE IN A DISCUSSION OF THIS PROPOSAL. IT IS NOT WITHIN OUR TERMS OF REFERENCE, AS ESTABLISHED ON MAY 8 UNQUOTE. CANADA AND AUSTRALIA SUPPORTED THIS VIEW.

11. THE SUBGROUP AGREED TO CONTINUE ITS DISCUSSION OF THE ELEMENTS OF THE THREE INTER-RELATED TOPICS AT ITS NEXT MEETING, INCLUDING THE NEW U.S. PROPOSAL. THE GROUP ALSO AGREED TO UNDERTAKE A COUNTRY-BY-COUNTRY EXAMINATION OF MTN/GR/W/8 AND ADDENDA.

12. THE GROUP AGREED TO SCHEDULE A WEEK AND A HALF MEETING BEGINNING JANUARY 21, 1976, SUBJECT TO CONFIRMATION BY THE U.S. THE CHAIRMAN OF THE SUBGROUP IS TO MAKE A REPORT OF THE MEETING TO THE GROUP AGRICULTURE. WALKER

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Message Attributes

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